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News Release

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Less than one percent of credit reports have errors that could adversely impact consumers, new study shows

DURHAM, N.C., May 5, 2011 -- Consumers can rest easier if they are concerned that there is a likelihood that errors in their credit reports are negatively affecting their credit worthiness, a new study released today by the Policy and Economic Research Council (PERC) shows.

Conducted under rigorous peer review, the PERC research is the most comprehensive and statistically sound study to ever be performed on the accuracy of data collected and maintained by the three nationwide consumer reporting agencies Equifax, Experian and TransUnion, and the impact of credit report dispute outcomes. The study engaged more than 2000 consumers to examine credit report entries, spot potential inaccuracies, file disputes as necessary, and candidly discuss their satisfaction with the outcome.

The PERC study revealed:

- **0.93%** of all credit reports examined by the consumers prompted a dispute that resulted in a credit score correction and an increase of a credit score of 25 points or greater.
- After the dispute process ran its course, **one-half of one percent (0.50%)** of all credit reports examined by consumers had credit scores that moved to a higher "credit risk tier" as a result of a consumer dispute.
- **95 percent of all consumers** who participated in the dispute process were satisfied with the outcome.

"We found that a vast majority of credit reports are accurate and that it is rare for a credit report error to materially impact a consumer's access to credit and the terms of that credit. The facts are that credit report errors are relatively infrequent, and that errors that negatively impact credit worthiness are significantly lower than one may suspect," said Dr. Michael Turner, President and CEO of PERC.

"We wanted to get past the headlines, rumors and myths and, for the first time, find meaningful information that regulators, policymakers and advocates can rely on," said Dr. Turner. "These results move the discussion of the consequences of credit report errors from hypothetical to factual," Dr. Turner added. "We even used scorecards with credit risk tiers in the same way that lenders do when they are making a credit decision."

Regarding consumers' overall satisfaction with the process, Dr. Turner said, "While it was not the focus of the study, we were committed to capturing consumers' opinions about their experience when challenging an entry on their credit reports, and we found that 95 percent of all consumers were satisfied with the outcome of the dispute process."

Peer reviewer, Christian T. Lundblad, Edward M. O'Herron Distinguished Scholar and Associate Professor of Finance at the University of North Carolina at Chapel Hill, said, "Overall, this study establishes a baseline against which all future studies on the accuracy of consumer credit reports in the United States can be measured."

As to the methodology, Professor David Musto, Ronald O. Perelman Professor of Finance, The Wharton School at the University of Pennsylvania and another peer reviewer, said, "This is a well-executed study, in that the sample is large and appears to be representative, and the procedure for identifying inaccuracies and their effects on credit files gives confidence that the inaccuracies and effects will be identified and measured."

The full study, performed between February and May, 2010, engaged 2,338 consumers, who reviewed 3,876 credit file disclosures (credit report entries). Copies of the study, *U.S. Consumer Credit Reports: Measuring Accuracy and Dispute Outcomes*, are available online at <http://perc.net/files/DQreport.pdf>.

About PERC

The Policy and Economic Research Council (PERC) is a non-profit, non-partisan organization devoted to research, public education and outreach on public policy matters. PERC's goal is to educate and engage policy makers, consumers, the financial/economic community and the larger public, in the firm belief that a better informed public makes better decisions. Areas of expertise include information policy, credit access and the global information economy. The Council is funded by both for-profit and not-for-profit organizations that support the Institute's general mission and agenda.